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# *Freimans*

OF OTTAWA

**ANNUAL REPORT · 1967**







*Freimans*

OF OTTAWA

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*Interim Report*

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*For the Six Months Ended July 31, 1967*







# A. J. FREIMAN LIMITED *and Subsidiary Companies*

## TO THE SHAREHOLDERS OF A. J. FREIMAN LIMITED

I take pleasure in presenting this interim report to shareholders covering the six month period, 1st February 1967 to 31st July 1967.

The figures in this report are unaudited.

Results for the six months show an improvement over the corresponding period last year. Sales were \$11,326,794 compared to \$10,636,659 or an increase of 6.5%. Net profit was \$211,018 compared to \$177,445, an increase of 18.9%. Earnings per share were 28 cents this year compared to 23 cents for the first six months last year.

The new Freiman store in the St. Laurent Shopping Centre on the corner of the Queensway and St. Laurent Boulevard is rapidly nearing completion. The fixturing is well advanced and much of the merchandise is now arriving in preparation for the planned opening in October.

LAWRENCE FREIMAN  
*President*

September 1967.

### INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS (unaudited)

For the Six Months  
February to July

|  | 1967                | 1966                |
|--|---------------------|---------------------|
| SALES . . . . .  | <u>\$11,326,794</u> | <u>\$10,636,659</u> |
| Cost of merchandise sold and all expenses, except the items shown below                                      | 10,497,484          | 9,860,964           |
| Provision for depreciation and amortization of improvements, alterations, and development expenses . . . . . | 218,911             | 226,440             |
| Bond, debenture and bank interest . . . . .  | <u>170,681</u>      | <u>179,610</u>      |
|  | 10,887,076          | 10,267,014          |
| Profit before provision for income taxes . . . . .   | 439,718             | 369,645             |
| Provision for income taxes . . . . .   | <u>228,700</u>      | <u>192,200</u>      |
| Net profit for the period. . . . .   | <u>\$ 211,018</u>   | <u>\$ 177,445</u>   |

### STATEMENT OF SOURCE AND APPLICATION OF FUNDS (unaudited)

During the Six Months  
February to July

|   | 1967                | 1966                |
|---|---------------------|---------------------|
| SOURCE—   |                     |                     |
| Net profit . . . . .  | \$ 211,018          | \$ 177,445          |
| Depreciation and amortization of improvements, alterations and development expenses . . . . . | 218,911             | 226,440             |
|   | <u>429,929</u>      | <u>403,885</u>      |
| APPLICATION—  |                     |                     |
| Fixed assets, improvements, alterations and development expenses . . . . .                    | 237,857             | 363,513             |
| Redemption of bonds and debentures . . . . .  | 243,500             | 155,000             |
| Dividends paid . . . . .  | 76,500              | 76,500              |
| Increase in cash surrender value of Life Insurance . . . . .                                  | <u>6,402</u>        | <u>6,400</u>        |
|   | 564,259             | 601,413             |
| Net decrease in working capital . . . . .   | <u>\$ (134,330)</u> | <u>\$ (197,528)</u> |









**TO THE SHAREHOLDERS OF  
A. J. FREIMAN LIMITED**

I am pleased to present, on behalf of the Board of Directors, the annual accounts of the Company and its subsidiaries for the twelve months ending January 31st, 1968.

Sales and profits continued to increase and both established new records.

Net Profit from operations after taxes was \$615,328 compared to \$586,936 for the previous year.

Sales of \$27,307,449 compared to \$24,428,950 for the previous year. This year includes the new St. Laurent Store for almost a four month period.

Earnings for the fiscal year 1967 were 80c a share compared to 77c in 1966.

Shareholders equity has increased from \$6,547,371 at January 31st, 1967 to \$6,888,699 at January 31st, 1968. This represents an increase in book value per share from \$8.56 to \$9.00.

I am pleased to report that our impressive new department store opened on schedule in Ottawa's great new Shopping Centre, St. Laurent. I believe this major development in the Company's history is a significant step in the continuing expansion of the Company. In this regard I would point out that the increase in current indebtedness has occurred mainly as a result of the new St. Laurent Store in terms of inventory requirements, increased accounts receivable, and other additions to assets.

The Company's records in sales and earnings in the past year continue to reflect the acceptance accorded its merchandise by an ever-expanding number of customers. In this, the Company is most grateful and also for the important efforts made by the personnel at all levels of its operations, and the co-operation of its suppliers.

Your Directors record their deep sense of loss in the death in July, 1967, of Charles Gavsie, C.B.E., Q.C. who served as a Director for more than eight years.

On behalf of the Board of Directors.

*Lawrence Freiman*

LAWRENCE FREIMAN

*President*

May 10, 1968.





## **A. J. FREIMAN LIMITED**

OTTAWA, CANADA

### *Board of Directors*

Lawrence Freiman  
Mrs. B. M. Alexandor  
Mrs. B. Luxenberg  
G. E. Beament, Q.C.  
Ward C. Pitfield  
Sydney Hermant  
H. Perlmann  
W. G. Spalding, C. A.

### *Officers*

Lawrence Freiman  
*President and Managing Director*

H. Perlmann  
*Vice-President, Merchandising*

W. G. Spalding, C.A.  
*Vice-President, Administration*

B. Luxenberg, Q.C.  
*Secretary*

B. M. Alexandor, Q.C.  
*Treasurer*

D. F. Alexandor  
*Assistant Secretary*

*Bankers:* Canadian Imperial Bank of Commerce

*Auditors:* Price Waterhouse & Co.

*Transfer Agent and Registrar:* The Royal Trust Company

### *Stores*

A. J. FREIMAN LIMITED  
Rideau Street  
St. Laurent Shopping Centre  
Westgate Shopping Centre

FREIMART STORES LTD.  
Baseline Road and Woodroffe Ave.  
Blair Road and Queensway

### *Foreign Buying Offices*

U.S.A.  
11 West 42nd Street,  
New York, 36, N.Y.

ENGLAND  
27 Albemarle Street,  
London, W 1

FRANCE  
20 rue de la Paix  
Paris, 2

ITALY  
10 Lungarno Acciaoli  
Florence





## A. J. FREIMAN LIMITED *and Subsidiary Companies*

### CONSOLIDATED STATEMENT OF EARNINGS

for the year ended January 31, 1968

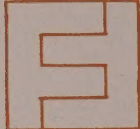
|   | January 31<br>1968 | January 31<br>1967 |
|---|--------------------|--------------------|
| Sales . . . . .   | \$27,307,449       | \$24,428,950       |
| Cost of merchandise sold and all expenses,<br>except the items shown below: . . . . . | 25,170,364         | 22,330,836         |
| Provision for depreciation . . . . .  | 373,156            | 375,799            |
| Amortization of alterations, improvements<br>and development expenses . . . . .       | 103,305            | 114,954            |
| Amortization of leasehold improvements . . . . .                                      | 45,066             | 38,088             |
| Bond and debenture interest . . . . .   | 207,272            | 220,900            |
| Bank interest . . . . .   | 160,958            | 143,437            |
|   | <u>26,060,121</u>  | <u>23,224,014</u>  |
| Earnings before provision for income taxes . . . . .                                  | 1,247,328          | 1,204,936          |
| Provision for income taxes (Note 3)   |                    |                    |
| Current . . . . .   | 542,000            | 642,000            |
| Deferred . . . . .  | 90,000             | ( 24,000)          |
|   | <u>632,000</u>     | <u>618,000</u>     |
| Net earnings for the year . . . . .   | <u>\$ 615,328</u>  | <u>\$ 586,936</u>  |

### CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended January 31, 1968

|  | January 31<br>1968  | January 31<br>1967  |
|--|---------------------|---------------------|
| Balance at beginning of year . . . . .                         | \$ 6,071,671        | \$ 5,637,735        |
| Net earnings for the year . . . . .                            | 615,328             | 586,936             |
|  | <u>6,686,999</u>    | <u>6,224,671</u>    |
| Deduct:  |                     |                     |
| Dividends paid in redeemable Class A shares (Note 4) . . . . . | 153,000             | 153,000             |
| Adjustment applicable to prior years (Note 3) . . . . .        | 121,000             | —                   |
|  | <u>274,000</u>      | <u>153,000</u>      |
| Balance at end of year . . . . .                               | <u>\$ 6,412,999</u> | <u>\$ 6,071,671</u> |



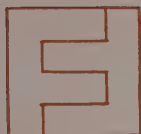


**A. J. FREIMAN LIMITED and Subsidiary Companies**

**CONSOLIDATED BALANCE SHEET — JANUARY 31, 1968**

| ASSETS   |  | January 31<br>1968  | January 31<br>1967  |
|--|--|---------------------|---------------------|
| CURRENT ASSETS:  |  |                     |                     |
| Cash . . . . .   |  | \$ 142,990          | \$ 122,740          |
| Accounts receivable . . . . .  |  | 5,334,819           | 5,049,973           |
| Merchandise valued at the lower of<br>approximate cost or market . . . . .   |  | 4,380,988           | 2,754,835           |
| Prepaid expenses . . . . .   |  | <u>53,258</u>       | <u>35,698</u>       |
|  |  | 9,912,055           | 7,963,246           |
| OTHER ASSETS:  |  |                     |                     |
| Cash surrender value of life insurance policies . . . . .  |  | 195,050             | 182,244             |
| Deferred alterations, improvements and development<br>expenses, less amortization (Note 3) . . . . .               |  | 380,772             | 326,782             |
| Special refundable tax . . . . .   |  | 36,990              | 30,273              |
| Other investments, at cost . . . . .   |  | <u>35,046</u>       | <u>35,046</u>       |
|  |  | 647,858             | 574,345             |
| FIXED ASSETS:  |  |                     |                     |
| Land (Note 1) . . . . .  |  | 1,047,500           | 1,047,500           |
| Buildings and equipment at cost, less<br>accumulated depreciation of \$3,946,901<br>(1967 — \$4,089,010) . . . . . |  | 3,771,536           | 3,459,744           |
| Leasehold improvements, less amortization . . . . .  |  | <u>1,550,212</u>    | <u>1,079,641</u>    |
|  |  | 6,369,248           | 5,586,885           |
|  |  | <u>\$16,929,161</u> | <u>\$14,124,476</u> |





# LIABILITIES

## CURRENT LIABILITIES:

|   |                  |                  |
|---|------------------|------------------|
| Bank indebtedness . . . . .                           | \$ 4,803,573     | \$ 2,175,579     |
| Accounts payable and accrued liabilities . . . . .    | 1,164,198        | 740,362          |
| Long term debt due within one year (Note 2) . . . . . | 243,500          | 241,500          |
| Income taxes . . . . .                                | 101,691          | 657,664          |
|   | <u>6,312,962</u> | <u>3,815,105</u> |

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| LONG TERM DEBT (Note 2) . . . . . | <u>3,206,500</u> | <u>3,452,000</u> |
|-----------------------------------|------------------|------------------|

|  |                |                |
|--|----------------|----------------|
| DEFERRED INCOME TAXES (Note 3) . . . . . | <u>521,000</u> | <u>310,000</u> |
|--|----------------|----------------|

## CAPITAL STOCK AND RETAINED EARNINGS:

|   |                     |                     |
|---|---------------------|---------------------|
| Preferred stock — (Note 4)  |                     |                     |
| Common stock — no par value   |                     |                     |
| Authorized — 1,170,000 shares   |                     |                     |
| Issued — 765,000 shares . . . . .   | 475,700             | 475,700             |
| Retained earnings (including \$96,749 tax paid<br>undistributed income) . . . . . | 6,412,999           | 6,071,671           |
|   | <u>6,888,699</u>    | <u>6,547,371</u>    |
|   | <u>\$16,929,161</u> | <u>\$14,124,476</u> |

Approved on behalf of the Board:

Lawrence Freiman, Director

W. G. Spalding, Director





**A. J. FREIMAN LIMITED and Subsidiary Companies**  
**STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

|  | January 31<br>1968 | January 31<br>1967 |
|--|--------------------|--------------------|
| <b>Source of Funds:</b>  |                    |                    |
| Net earnings for the year . . . . .  | \$ 615,328         | \$ 586,936         |
| Non-cash charges deducted in arriving<br>at net earnings —                               |                    |                    |
| Depreciation and amortization . . . . .  | 521,527            | 528,841            |
| Deferred income taxes . . . . .  | 90,000             | ( 24,000)          |
|  | <hr/>              | <hr/>              |
| Funds provided by operations . . . . .   | 1,226,855          | 1,091,777          |
|  | <hr/>              | <hr/>              |
| <br><b>Application of Funds:</b>   |                    |                    |
| Net additions to fixed assets . . . . .  | 1,200,585          | 684,676            |
| Net increase in deferred alterations,<br>improvements and development expenses . . . . . | 157,295            | 162,557            |
| Increase in special refundable tax . . . . .   | 6,717              | 30,273             |
| Increase in cash surrender value of life insurance<br>policies . . . . .                 | 12,806             | 12,807             |
| Decrease in long term debt . . . . .   | 245,500            | 243,500            |
| Dividends . . . . .  | 153,000            | 153,000            |
|  | <hr/>              | <hr/>              |
|  | 1,775,903          | 1,286,813          |
|  | <hr/>              | <hr/>              |
| Resulting in a decrease of working capital of . . . . .                                  | ( 549,048)         | ( 195,036)         |
| Working capital at beginning of year . . . . .   | 4,148,141          | 4,343,177          |
|  | <hr/>              | <hr/>              |
| Working capital at end of year . . . . .   | \$ 3,599,093       | \$ 4,148,141       |
|  | <hr/>              | <hr/>              |





## A. J. FREIMAN LIMITED *and Subsidiary Companies*

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 1968

1. Land is valued as follows:

|   |                    |
|---|--------------------|
| Land, per 1928 appraisal . . . . .      | \$ 553,000         |
| Subsequent additions, at cost . . . . . | 494,500            |
|   | <u>\$1,047,500</u> |

Land was appraised in 1965 at a value of \$1,983,000.

2. Long term debt:

|   | Due in<br>one year | Due after<br>one year |
|---|--------------------|-----------------------|
| First Mortgage Bonds —  |                    |                       |
| 4½% sinking fund bonds, Series A,<br>maturing May 1, 1975 . . . . .       | \$112,500          | \$ 787,500            |
| 6% sinking fund bonds, Series B,<br>maturing June 15, 1979 . . . . .      | 31,000             | 521,000               |
| 6½% sinking fund debentures, Series A,<br>maturing May 15, 1981 . . . . . | 100,000            | 1,898,000             |
|   | <u>\$243,500</u>   | <u>\$3,206,500</u>    |

3. In 1968 the companies changed their method of accounting for income taxes in respect of deferred alterations, improvements and development expenses and commenced providing for income taxes for these items on the basis of reported income (tax allocation basis) as now recommended by the Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants. As a result, \$121,000 representing the accumulated income tax reductions to January 31, 1967 has been charged against retained earnings. If this change in accounting policy had been applied retroactively to the year ended January 31, 1967, the profit for that year would have been reduced by \$10,500. Alternatively, if this change had not been made the current year's earnings would have increased by \$64,000.

4. Preferred stock:

1% non-cumulative Class A preferred shares of \$1 each —

Authorized — (of which 803,250 shares were issued and redeemed prior to January 31, 1968, leaving a balance of 106,750 unissued at that date) . . . . .

910,000 shares \$910,000

Issued —

Balance, January 31, 1967 . . . . .

—

—

Stock dividend during period . . . . .

153,000 shares \$153,000

Deduct: Redeemed and cancelled . . . . .

153,000 shares 153,000

Balance, January 31, 1968 . . . . .

—

—





5. Minimum annual rentals under long term leases extending from 1975 to 1992 amount to \$721,770.
6. The remuneration and salaries of officers who are also directors amounted to \$110,155 in the year.
7. Trust Indentures, pursuant to which the bonds and debentures of the company have been issued, provide that the company will not declare or pay any dividends (other than stock dividends) on, or redeem, any common shares or shares issued as stock dividends unless immediately after such action,
  - (a) the consolidated net current assets of the company and its subsidiaries exceed the lesser of \$2,000,000 or 50% of the aggregate principal funded obligations of the company and its subsidiaries, and
  - (b) the aggregate amount declared as dividends, distributed and/or paid on redemption, subsequent to January 1, 1961, in respect of common shares of stock issued as dividends is not greater than the consolidated net earnings of the company and its subsidiaries during the period commencing January 1, 1960.

**PRICE WATERHOUSE & CO.**

77 METCALFE STREET

OTTAWA

April 17, 1968

AUDITORS' REPORT

To the Shareholders of  
A. J. Freiman Limited:

We have examined the consolidated balance sheet of A. J. Freiman Limited and subsidiary companies as at January 31, 1968 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 31, 1968 and the results of their operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in the method of accounting for income taxes as described in Note 3 to the consolidated financial statements.

*Price Waterhouse & Co*

Chartered Accountants.







